

EIR Operation Juárez

How many jobless are there really in Ibero-America?

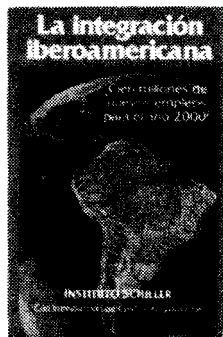
Part 11

Ibero-American integration

Taking into account unemployment in agriculture and misemployment in unnecessary services, the true level of joblessness in Ibero-America is 35%. That means that more than a third of the most important resource of the continent, its labor power, is not contributing to creating wealth.

The Schiller Institute's book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000*, was published in Spanish in September 1986. An international team of experts prepared this study on the urgent measures needed to free Ibero-America of its economic dependency, elaborating the outlines of Lyndon LaRouche's 1982 proposal, "Operation Juárez."

This week EIR's exclusive English-language serialization of the book concludes Chapter 4. Numbering of graphics follows that of the book.



Real unemployment in the labor force

It is no secret that the labor force of Ibero-America is inefficiently employed, but the magnitude of the misemployment and hidden unemployment is generally seriously underestimated. For the purpose of realistically estimating the number of new, useful jobs required by the year 2000 and 2015, one must quantify not only presently recognized unemployment (nominal unemployment), but all forms of disguised unemployment. While any measures used for this calculation are of necessity approximations, the following figures give a very good idea of the general magnitude of the true unemployment problem in the subcontinent. Moreover, the *method* employed to make these calculations indicates the proper way to determine the real unemployment rate, defined as that percentage of the total labor force which, for one reason or another, does not contribute (or scarcely contributes) to the production of real economic wealth.

Official unemployment is naturally the first category of any total unemployment calculation. In Ibero-America these figures are very unreliable, and quite often do not exist for the country as a whole, but only for the major cities. For example, since 1980, the official unemployment figures for most Ibero-American countries show very slight rises in unemployment, with the exception of figures from Colombia and Chile which more accurately reflect the impact of the austerity policies and economic stagnation which hit all countries. This failure to officially register the known post-1980 increase in unemployment casts doubt on the validity of the figures for 1980 as well. However, due to the absence of a ready means to correct the official figures, we begin our reconstruction of the real unemployment situation by using the official unemployment figures, as compiled by the ILO subgroup Programa Regional del Empleo para America Latina y el Caribe (PREALC), "Dinámica del subempleo en

TABLE 4-5

Underemployment in agriculture 1980

	Agriculture labor force† (1)	Agricultural value added‡ (2)	Appropriate agricultural labor force† (3)	Underemployment in agriculture (4)	Underemployment in agriculture (thousands) (5)	Underemployment in agriculture (according to ILO)* (thousands) (6)
Argentina	12.0	8.8	17.6	0.0	0	164
Brazil	30.6	13.0	26.0	4.6	1,989	4,789
Colombia	33.7	19.4	38.8	0.0	0	743
Chile	16.3	7.4	14.8	1.5	53	125
Mexico	26.1	8.4	16.8	9.3	2,203	1,392
Peru	39.3	8.5	17.0	22.3	1,147	865
Venezuela	15.0	5.7	11.4	3.6	176	294

†Percentage of EAP

‡Percentage of GDP

*Sources: Regional Jobs Program for Latin America and the Caribbean (PREALC), subgroup of the International Labor Organization (ILO).

América Latina," (1981), p. 26, and as reflected in **Table 4-8** on p. 20.

It is well-known that despite large-scale migration to the cities of Ibero-America, a large portion of the labor remaining on the land is underemployed, either working for only portions of the year and idle the remainder, or employed in such low productivity tasks on the land that their contribution to output is almost negligible. In either case, the best measure of *underemployment in agriculture* is the relative productivity of agricultural labor compared to the productivity of the economy at large. Comparisons with other countries, both developed and newly industrializing, suggests that agricultural labor as a percentage of total labor force should be no more than double the percentage of agricultural value added as a percentage of total GDP. This percentage holds true not only for South Korea, a country which has successfully shifted from being largely an agrarian economy to largely an industrial one, but also for the major European countries (in the United States, due to very capital-intensive farming, agricultural labor produces more than its share of total GDP).

Consequently, we applied this formula to derive estimated agricultural underemployment, as reflected in **Table 4-5**. Column 1 is the percentage of total labor force officially reported in agriculture; Column 2 is the percentage of total GDP in agriculture; Column 3 is two times Column 2, representing the maximum healthy percentage that agricultural labor ought to be of the total labor force; Column 4 is the percentage now working in agriculture above what is appropriate (i.e., the difference between Columns 1 and 3, if greater than zero); and Column 5 is the total number of such actually underemployed persons in agriculture, which was derived by multiplying Column 4 by the total economically active population.

The results are illustrative, but unsatisfactory as a final calculation in a number of cases, for reasons that require a more detailed investigation than could be conducted on the basis of available data. The principal difficulty lies in the overly high proportion of total GDP officially attributed to agriculture in several countries, notably Brazil and Colombia, which apparently results from the effect on national accounts calculations of internal pricings that artificially increases the relative prices of agricultural products. Clearly, Colombia has a substantial underemployment problem in agriculture, which is at variance with the figure of 0 derived above. Possibly, its total value of agricultural production is significantly lower than the reported 19.4% of GDP, which would explain the discrepancy. Brazil likewise undoubtedly has many more than 1,989,000 underemployed agricultural workers, given that there are entire regions of the country populated principally by millions of subsistence and subsistence farmers.

Consequently, to derive a usable estimate for agricultural unemployment, we were forced to use a conceptually less satisfactory methodology which provided somewhat more consistent numbers. The PREALC-ILO study cited above adopted a methodology based on assuming that all traditional agriculture involved some degree of underemployment, and it measured the rate of underemployment by how far below the poverty line the average agricultural worker fell. Using the PREALC estimations, we derived the numbers in column 6 of Table 4-5 (and in Column 3 in Table 4-8) for agricultural underemployment. We consider it quite likely that the estimation for Mexico is too low, though the other calculations appear reasonable.

If the above-mentioned shift from agriculture directly into services, bypassing the stage of industrial employment,

is the major structural problem of the Ibero-American economies, it follows that a very significant portion of the workforce nominally employed in services is in fact superfluous, whether or not the workers are ostensibly employed in full-time jobs. Thus we identify *misemployment in services* as composed conceptually of three categories: those physically employed only part-time, or for only part of the year, those employed in obviously marginal occupations epitomized by the proliferation of street vendors and other examples of the "informal economy," and those employed as white-collar employees in excess of any reasonable requirement for such occupations.

Consequently, to calculate this magnitude, we examined the pattern of employment shifts of South Korea, one of the most successful of the formerly underdeveloped country which succeeded in industrializing over the past 20 years. **Table 4-6** is based on the same data as Figures 4-3 and 4-4. (Part 10, *EIR*, Nov. 7, 1986) It shows that between 1960 and 1980, 32% of South Korea's total labor force shifted out of agriculture, 20% going into industry and only 12% going into services. In other words, approximately two-thirds of the total shift went into industry and only one-third into services.

We calculated excess employment or misemployment in services for the Ibero-American nations by assuming that a

TABLE 4-6
Calculating misemployment in services
(percentage of EAP)

	1950 (1)	1980 (2)	1950-1980 variation (3)	1950-1980 variation using proportions of South Korea (4)	Misemployment in services (3-4)
South Korea					
Agriculture	66.0	34.0	-32.0		
Industry	9.0	29.0	+20.0		
Services	25.0	37.0	+12.0		
Argentina					
Agriculture	25.3	13.1	-12.2	-12.2	
Industry	30.8	28.0	-2.8	+8.1	
Services	43.9	58.9	+15.0	+4.0	11.0
Brazil					
Agriculture	59.7	29.9	-29.8	-29.8	
Industry	17.1	24.4	+7.3	+19.9	
Services	23.2	45.7	+22.5	+9.9	12.6
Colombia					
Agriculture	56.8	25.8	-31.0	-31.0	
Industry	17.8	21.2	+13.4	+20.7	
Services	25.4	53.0	+27.6	+10.3	17.3
Mexico					
Agriculture	61.2	26.0	-35.2	-35.2	
Industry	16.2	20.3	+14.1	+23.5	
Services	22.6	53.7	+31.1	+11.7	19.3
Peru					
Agriculture	58.2	36.4	-21.8	-21.8	
Industry	19.6	16.1	-3.5	+14.5	
Services	22.2	47.5	+25.3	+7.3	18.0
Venezuela					
Agriculture	43.0	18.0	-25.0	-25.0	
Industry	20.9	26.6	+15.9	+16.7	
Services	36.1	55.2	+19.1	+8.3	10.8

*Economically active population

†South Korea figures correspond to period 1960-1980

Source: World Bank.



TABLE 4-7

Mis-employment in services 1980

	Economically active population (millions)	Mis-employment in services (% of EAP)	Mis-employment in services (millions)
Argentina	10.2	11.0	1.1
Brazil	42.7	12.6	5.4
Colombia	8.4	17.3	1.5
Chile	3.5	14.4	0.5
Mexico	21.9	19.4	4.3
Peru	5.0	18.0	0.9
Venezuela	4.9	10.8	0.5
Other countries	20.0	11.6	2.3
Ibero-America	116.6	14.1	16.5

Sources: ECLA and authors' estimates.

similar 2:1 shift of agricultural employment into industry and services would have represented a healthy development pattern over the 1960-1980 period. We then measured the deviation from this norm as the magnitude of misemployment in services (and, necessarily, the deficit of employment in industry). Column 3 shows the percentages of total EAP that left agriculture for industry and services, respectively, while Column 4 shows what those percentages would have been in Ibero-America had two-thirds of the shift gone into industry, as in the South Korean case. Column 5, derived by subtracting Column 4 from Column 3, is thus the percentage of total EAP now misemployed in services beyond the healthy (South Korean) level indicated in Column 4.

Table 4-7 multiplies the total economically active population (EAP) by the percentage derived in Column 5 of Table 4-6, to give the total number of service workers in each country who are employed in excess of that sectors healthy requirement for employment, who should be considered part of misemployment or disguised unemployment, from the standpoint of calculating the number of useful jobs that must be created in the future.

It should be noted that even if productivities had remained low, just the mere addition of these 16,450,000 misemployed service workers to industry, would have represented a tremendous boost to the economies of Ibero-America. That number is about equal to the total number of 1985 manufacturing workers, and is almost two-thirds of the entire employment in industry today. Employing them thus would have increased the production of tangible goods by at least 75% more than current output.

A final category of disguised unemployment must be noted. There are today a large number of people, mainly

women, who are not even included in the labor force (EAP), but who should be, as they are in properly developing and in developed countries. This is reflected in the fact that, in the developed countries today, 40-45% of the total population is economically active; in South Korea, the percentage is 39%. But all the major countries of Ibero-America have much lower levels of total participation in the EAP, ranging from 36% for Argentina to 31.5% for Mexico. While the greater proportion of children in the labor force, and the greater need for women to remain in the home to care for house and family, partially help explain these lower numbers, it is only part of the picture. It is without doubt that, were more jobs available, a large number of women would leave the home to work outside, at least part-time. The number of jobs that women now in the home would take, were they available, represents a further form of disguised unemployment, or enforced unemployment.

Were the total participation rate in the labor force to grow from its present 32.7% average for Ibero-America to the 40% that is the lower limit of participation rates for developed countries, 26 million new jobs would have to be created. However, due to the impossibility of reliably determining what portion of this 26 million could realistically be immediately added to the labor force, and be available for employment, we have not included it in our calculation of under- and unemployment. However, in our projections to 2000 and 2015, it is assumed that they join the EAP, which thereby rises to 40% of the total population, and that they are then employed.

A further disguised unemployment of the same nature



A street vendor in Lima—an example of the many Ibero-Americans misemployed in unnecessary services. Such jobs would no longer exist in an industrial society.

TABLE 4-8
**Nominal and real unemployment in Ibero-America
 1980**

(millions of persons, and percentage of EAP*)

	EAP	Nominal unemployment		Underemployment in agriculture		Misemployment in services		Real unemployment	
Argentina	10.2	0.2	(1.8%)	0.2	(1.6%)	1.1	(11.0%)	1.5	(14.4%)
Brazil	42.7	1.2	(2.9%)	4.8	(11.2%)	5.4	(12.6%)	11.4	(26.7%)
Colombia	8.4	0.4	(5.2%)	0.7	(8.9%)	1.5	(17.3%)	2.6	(31.4%)
Chile	3.4	0.3	(9.0%)	0.1	(3.6%)	0.5	(14.4%)	0.9	(26.9%)
Mexico	21.9	0.9	(4.3%)	1.4	(6.3%)	4.3	(19.4%)	6.6	(30.0%)
Peru	5.0	0.3	(6.7%)	0.9	(17.3%)	0.9	(18.0%)	2.1	(42.0%)
Venezuela	4.9	0.2	(4.2%)	0.3	(6.0%)	0.5	(10.8%)	1.0	(21.0%)
Other Countries	20.0	1.1	(5.1%)	1.9	(9.5%)	2.3	(11.6%)	5.3	(26.2%)
Ibero-America 1980	116.6	4.7	(4.0%)	10.3	(8.8%)	16.5	(14.1%)	31.4	(27.0%)
Ibero-America 1985	133.8	10.6	(7.9%)	12.7	(9.5%)	23.4	(17.5%)	46.7	(34.9%)

*Economically active population
 Sources: United Nations and International Labor Organization.

concerns youths of the 15-18 year old age bracket, of which far fewer are counted in the labor force than have left school and are therefore employable. It can only be assumed that this stratum is not in the labor force because of insufficient job opportunities. This factor is also adjusted for in our projections.

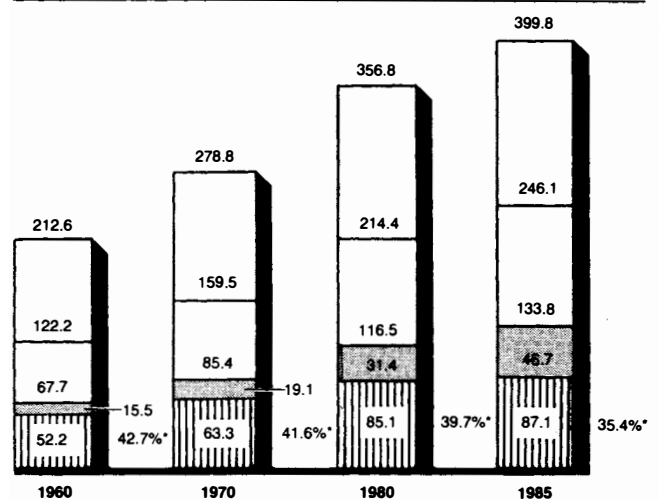
Table 4-8 summarizes the three basic components of real unemployment: official unemployment, agricultural underemployment, and urban misemployment in services. The total number of actually unemployed in 1980 was 31,410,000, or 26.9% of the work force—clearly much higher than any standard calculations indicate.

However, even this picture has become much worse since 1980, because of stagnation of most areas of the economy since that time. Given that, from 1980 to 1985 production did not noticeably increase, we can conclude without doubt that the entirety of the increase in the labor force in that period went to increase real unemployment; that is, produced no new wealth. Thus, in 1985 the total real number of unemployed in Ibero-America stood at approximately 46.7 million people, nearly 35% of the labor force. In other words, *over one-third of the continent's entire work force is not producing any economic wealth, i.e., it is de facto unemployed* (see Figure 4-6).

The productive employment of this idle labor force defines one of the most urgent tasks of development under the Ibero-American Common Market.

Next week begins Chapter 5, "The development of employment and productivity."

FIGURE 4-6
**Population and employment in Ibero-America
 1960-1985**
 (millions of persons)



Total population
 Working-age population (15m = 64)
 Economically active population
 Total unemployment
 Effective employment

*Percentage of the working-age population
 Sources: ECLA and authors' estimates.

In Defense Policy
and as a
Military Phenomenon

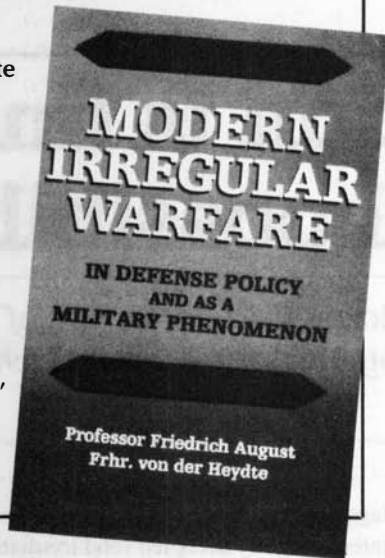
Modern Irregular Warfare

by Professor
Friedrich August
Frhr. von der Heydte

Order from:

Ben Franklin
Booksellers, Inc.
27 South King St.
Leesburg, VA 22075

\$9.95 plus shipping
(\$1.50 for first book,
\$.50 for each
additional book.)
Bulk rates available.



The magazine for people
who believe in scientific progress

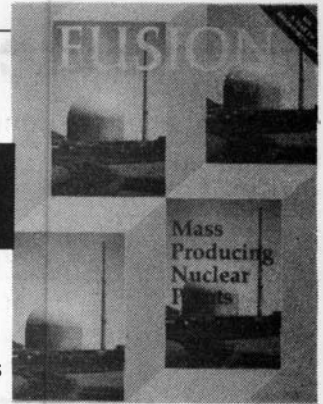
FUSION

- *Fusion* has fought an 11-year battle for fission and fusion power, against the environmentalists and budget-cutters;
- *Fusion* is campaigning internationally for high-technology industrial development, against the zero-growthers;
- *Fusion* advocated a beam-weapon defense system as early as 1977—the program now known as the Strategic Defense Initiative;
- *Fusion* advocates the colonization of the Moon and Mars—but why stop there?

Subscribe Now!

- \$20 (1 year—6 issues)
- \$38 (2 years—12 issues)
- \$40 (1 year—foreign air mail)

Order from: Fusion Energy Foundation, P.O. Box 17149, Washington, D.C. 20041-0149



Friedrich Schiller Poet of Freedom

A collection of poems, plays, and prose writings, in new translations
by members of the Schiller Institute.

"Why did an institute for republican foreign policy name itself after a poet, in particular Friedrich Schiller? The extraordinary success of the Schiller Institute in the short time since its founding proves that the concepts created and formulated by Schiller have established that higher level of reason on which alone the problems which confront us today can be overcome."

—Helga Zepp-LaRouche

\$9.95 plus shipping (\$1.50 for first book, \$.50 for each additional book).
Bulk rates available.



Order from:
Ben Franklin Booksellers, Inc.
27 South King St.
Leesburg, VA 22075